

CEO SUCCESSION – THE MOST IGNORED RISK

Amazon just announced that Jeff Bezos will step down as CEO and become executive chairman. *The New York Times* reported, “In recent years, Mr. Bezos had stepped back from much of Amazon’s day-to-day business, delegating those responsibilities to two main deputies, including Mr. Jassy. He instead had focused on Amazon’s future and personal projects such as space travel.” This example shows CEO succession as a series of transitions and changes, done over time, not a precipitous or rushed decision or event.

CEO succession, done well, is a process and takes into account changes to context, both internal and external.

CEO succession, done well, is a process and takes into account changes to context, both internal and external. These include: top talent, market changes, possible internal successors and how they respond to a larger role, as well as leaders emerging in other organizations.

In the case of Amazon, leaders have had

to manage changes on a massive scale, some driven by circumstance and others by strategic decisions. The growth alone is a leadership challenge, not only growth in revenue but also profit (doubling from a year ago) and expansion of business from a massive logistics operation, to include cloud-computing and entertainment, to name just two. These are some, though not all, aspects of the context that will have a powerful effect on Jassy and should not be ignored.

Why CEO Transitions Are Easy To Ignore

One of the most detrimental, but common barriers to successful CEO transitions, is thinking of it as an event. Boards often display increased motivation to address CEO, or any other key leader succession, just prior to an anticipated change of players. This approach leaves the organization vulnerable to a host of risks such as reduced quality of the decision due to pressure, reputational risk if the decision appears illogical to stakeholders, disruption in operations and loss of confidence from key leaders as well as others.

Choosing the CEO and overseeing the individual and the process to ensure continuity

THE BOARD MINDSET™

The vital attribute of exceptional boards

is a board responsibility that is best met by doing the following:

1. **Embrace leadership continuity** as a critical responsibility of the board, worthy of attention equal to other responsibilities.
2. **Establish board processes** to review possible successors to the CEO and ensure that key executive talent interacts with the board in more than ceremonial ways.
3. **Beware of assumptions** about timing – things change, leaders leave and sometimes must be removed.
4. **Think about what the organization needs from a leader** in terms of their skills, attributes, and character as well as the context in which they will need to work. Behavior is not solely determined by either individual characteristics or situational factors – both are influential.
5. **Don't settle for weak plans**, such as “a board member will step in as interim while a search is conducted.” That's not a plan, it's a punt.

A vibrant board that succeeds in overseeing smooth and effective top leader transitions have a mindset that embraces their responsibility and practices that keep it on their agenda as a matter of great significance.

Helping Define Your Company's Future Success



We can help you formulate a strategy that works:

- Defines the choices a company is making about who is and who is not a customer
- Doesn't serve as a rationalization for budgets
- Challenges assumptions
- Seeks to reduce risk, not avoid it
- Serves as a framework in which adjustments are expected and can be accommodated

We advise on any unaddressed issues to help the board and the company move forward. If you have any questions about **The Board Mindset**, visit www.theboardmindset.com or [contact us](#).